Item #91
(5505)

STATE OF CALIFORNIA | Public Utilities Commission
San Francisco

M e m o r a n d u m

Date: April 5, 2006

To: The Commission
(Meeting of April 13, 2006)

From: Delaney Hunter, Director
Office of Governmental Affairs (OGA) — Sacramento

Subject: **AB 2576 (De La Torre) – Public utilities: California Alternative Rates for Energy program.**
As Introduced February 23, 2006

LEGISLATIVE SUBCOMMITTEE RECOMMENDATION: **Oppose**

SUMMARY OF BILL:

This bill would add the following text to the PUC Code Section 739.1 at part (a):

"Eligibility for the CARE program shall be established by the commission at 250% of the federal poverty guidelines."

SUMMARY OF SUPPORTING ARGUMENTS FOR RECOMMENDATION:

Commission decision D.05-10-044 at ordering paragraph 1, has already extended income eligibility for CARE to 200% of the federal poverty guideline levels. In that decision the Commission considered and rejected establishing the CARE eligibility at 250%.

It is inadvisable to change eligibility to 250% before fully understanding the impact of the current 200% level on CARE program costs and implementation. This bill would dramatically increase the number of electricity and natural gas customers that would become eligible for the CARE program by over 1.2 million households. For some utilities, such as SDG&E and Southwest Gas, the percentage of residential customers eligible for the rate subsidy could be very high.

The escalation in the number of customers receiving the rate discount would substantially raise the costs of the CARE program by more than $290 million per year.

This bill places considerable financial burden on all other electricity and natural gas ratepayers, who will have to pay for the expanded CARE program in the form of increased rates. Ratepayers that are close to, but do not qualify for, the rate subsidy will face a staggering burden of increased rates.

The bill should be opposed on the grounds that this will place an unusually harsh burden on moderate and middle income customers, and those customers who are just above 250% of poverty guidelines, but who do not qualify for the rate subsidy.

SUMMARY OF SUGGESTED AMENDMENTS:

None.

DIVISION ANALYSIS (Energy Division):

The bill states that “Existing decisions of the commission establish eligibility for the CARE program at 175% of the federal poverty guidelines”. In fact, Commission decision D.05-10-044 at ordering paragraph 1, has already extended income eligibility for CARE to 200% of the federal poverty guideline levels;

“Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE), Southern California Gas Company (SoCal Gas), San Diego Gas & Electric Company (SDG&E) and SouthWest Gas Company (SouthWest) shall allow all residential customers earning no more that 200% of poverty levels to enroll in the California Alternative Rates for Energy (CARE) program”.

In D.05-10-044 the Commission considered and rejected establishing the CARE eligibility at 250%.

“We will instruct the utilities to allow all residential customers earning no more that 200% of poverty levels to enroll in the CARE program.[1] *However, in order to minimize impacts on other customers, we will not adopt a 250% level at this time. “*

Given the limited time under which expansion of eligibility from 175% to 200% has been in effect, it seems premature to change eligibility to 250% before fully understanding the impact of the current 200% rate on CARE program costs and implementation.

If income eligibility is expanded from 200% to 250% the current income levels would be shifted in the following manner:

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[1] This directive is not meant to be an endorsement of any utility’s specific estimate of cost impacts from the new subsidies. Ultimate cost recovery will depend on actual CARE enrollment. In addition, we specifically expect PG&E’s CARE administrative costs to be in line with those from other utilities.

Revised Income Eligibility Levels for LIEE & CARE		
HOUSEHOLD MEMBERS	**200% LEVEL**	**250% LEVEL**
1 or 2	$27,700	$34,600
3	$32,500	$40,600
4	$39,200	$49,000
5	$45,800	$57,300
6	$52,400	$65,500

As the above table illustrates, increasing the income eligibility to 250% federal poverty guidelines will make a family of four with income of $49,000 eligible for the CARE discount. For a family of six, the income eligibility will start at $65,500 a year, making CARE a middle-income, not a low-income program. This bill would dramatically increase the number of persons eligible for the CARE program. As of the 2000 census California's population came to about 33.9 million. About 36% of California's population or approximately 12 million people are estimated eligible for CARE. Shifting eligibility to 250% would add about 5 million additional bring those people estimated eligible for CARE to about 17 million or about 50% of California's population.

The following table provides a sense of the percentage change of estimated eligibility among residential customers at California utilities if a 250% FPG is adopted.

Percentage of IOU Customers Estimated Eligible for CARE		
Utility	**200% FPG**[2]	**250% FPG**
PG&E	30.5	38.6
SCE	31.7	40.2
SCG	33.1	41.4
SDG&E	28.2	36.6
SWG	32.0	37.7

Under the CARE program any qualifying customer can participate and add to program costs. This bill would significant increase program costs for participating utility companies and their ratepayers. In California, the 2006 Authorized CARE budgets for PG&E, SCE, SDG&E and SoCal Gas alone, inclusive of program costs and rate discounts, came to over $640 million.[3] Shifting CARE eligibility to 250% would increase California's CARE program costs by approximately $1.1 billion. This would make California's CARE program, inclusive of program costs and discounts, a near $2 billion effort.

[2] FPG – Federal Poverty Guideline
[3] Please note that this number does not increased incremental program costs from shifting CARE eligibility to 200% in D05-10-044.

Although a shift in eligibility for CARE by expanding the number of participants places an additional financial burden on the customer classes that currently fund the program in the form of increased rates. An increase in the number of CARE-eligible ratepayers decreases the number within the remaining pool of customer classes that support the CARE subsidy. This smaller number of ratepayers would now shoulder the increased cost of the CARE subsidy. The potential increased cost for CARE would be especially difficult for those close to, but not within, the new guidelines. For example, those families that are near 251% of the poverty guidelines would not qualify for the CARE rate, but would have to pay more on their energy bills thereby increasing their energy burden or the percent of their income allocated for paying utility bills. Moreover, Increasing CARE eligibility to 250% FPG would place a significant burden on California's utility industrial customer classes who would shoulder costs at a higher rate that other customer classes. For example, 62.8% of a PG&E Industrial Transmission customer's bill would come from the PPP[4]-CARE portion alone.

Since the Commission recently increased the eligibility criteria, the utilities have not yet seen the impact of the change in their program implementation and costs because not all eligible customers apply for these programs. As customers become aware of the changes and enroll new ratepayers in the program, the utility companies will incur a higher burden of administrative and rate costs.

PUC Code at 739.1 part (c) and (d) directs the Commission to "…examine CARE enrollment and participation." Among the approaches mentioned within the Code are; 1) automatic enrollment through comparing CARE information with the ULTS program 2) improving the CARE application process through cooperation with the California Health and Human Services Agency. Both of these efforts have been delayed due to budget, technology and other resources constraints. It seems premature to expand CARE enrollment and participation, by expanding eligibility to 250%, without first fully exploring these approaches that are specifically described in the PUC Code.

PROGRAM BACKGROUND:

(See above).

LEGISLATIVE HISTORY:

N/A

FISCAL IMPACT:

The total fiscal impact of this bill is estimated at $184,005. The staffing required to implement this bill is estimated to include two Public Utility Regulatory Analysts.

[4] PPP – Public Purpose Program

STATUS:

AB 2576 is scheduled to be heard in the Assembly Utilities & Commerce Committee on April 17th.

SUPPORT/OPPOSITION:

Unknown at this time.

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BILL LANGUAGE:

BILL NUMBER: AB 2576 INTRODUCED
BILL TEXT

INTRODUCED BY Assembly Member De La Torre

FEBRUARY 23, 2006

An act to amend Section 739.1 of the Public Utilities Code, relating to public utilities.

LEGISLATIVE COUNSEL'S DIGEST

AB 2576, as introduced, De La Torre Public utilities:California Alternative Rates for Energy program.

(1) Under existing law, the Public Utilities Commission has regulatory authority over public utilities, including electrical corporations and gas corporations, as defined. Existing law authorizes the commission to fix the rates and charges for every public utility, and requires that those rates and charges be just and reasonable. Existing law requires the commission to establish a program of assistance to low-income electric and gas customers, referred to as the California Alternate Rates for Energy (CARE) program. Existing decisions of the commission establish eligibility for the CARE program at 175% of the federal poverty guidelines.

This bill would require that the commission establish eligibility for the CARE program at 250% of the federal poverty guidelines.

Under existing law, a violation of the Public Utilities Act or an order or direction of the commission is a crime.

Because a violation of an order or decision of the commission implementing the requirements of the bill would be a crime, the bill would impose a state-mandated local program by creating a new crime.

(2) The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: yes.

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Section 739.1 of the Public Utilities Code is amended to read:

739.1. (a) The commission shall establish a program of assistance to low-income electric and gas customers, the cost of which shall not be borne solely by any single class of customer. The program shall be referred to as the California Alternate Rates for Energy or CARE program. *Eligibility for the CARE program shall be established by the commission at 250 percent of the federal poverty guidelines.* The commission shall ensure that the level of discount for low-income electric and gas customers correctly reflects the level of need.

(b) The commission shall work with the public utility electrical and gas corporations to establish penetration goals. The commission shall authorize recovery of all administrative costs associated with the implementation of the CARE program that the commission determines to be reasonable, through a balancing account mechanism. Administrative costs shall include, but are not limited to, outreach, marketing, regulatory compliance, certification and verification, billing, measurement and evaluation, and capital improvements and upgrades to communications and processing equipment.

(c) The commission shall examine methods to improve CARE enrollment and participation. This examination shall include, but need not be limited to, comparing information from CARE and the Universal Lifeline Telephone Service (ULTS) to determine the most effective means of utilizing that information to increase CARE enrollment, automatic enrollment of ULTS customers who are eligible for the CARE program, customer privacy issues, and alternative mechanisms for outreach to potential enrollees. The commission shall ensure that a customer consents prior to enrollment. The commission shall consult with interested parties, including ULTS providers, to develop the best methods of informing ULTS customers about other available low-income programs, as well as the best mechanism for telephone providers to recover reasonable costs incurred pursuant to this section.

(d) The commission shall improve the CARE application process by cooperating with other entities and representatives of California government, including the California Health and Human Services Agency and the Secretary of California Health and Human Services, to ensure that all gas and electric customers eligible for public assistance programs in California that reside within the service territory of an electrical corporation or gas corporation, are enrolled in the CARE program. To the extent practicable, the commission shall develop a CARE application process using the existing ULTS application process as a model. The commission shall work with public utility electrical and gas corporations and the Low-Income Oversight Board established in Section 382.1 to meet the low-income objectives in this section.

(e) The commission's program of assistance to low-income electric and gas customers shall, as soon as practicable, include nonprofit group living facilities specified by the commission, if the commission finds that the residents in these facilities substantially meet the commission's low-income eligibility requirements and there is a feasible process for certifying that the assistance shall be used for the direct benefit, such as improved quality of care or improved food service, of the low-income residents in the facilities. The commission shall authorize utilities to offer discounts to eligible facilities licensed or permitted by appropriate state or local agencies, and to facilities, including women's shelters, hospices, and homeless shelters, that may not have a license or permit but provide other proof satisfactory to the utility that they are eligible to participate in the program.

(f) It is the intent of the Legislature that the commission ensure CARE program participants are afforded the lowest possible electric and gas rates and, to the extent possible, are exempt from additional surcharges attributable to the ~~current~~ energy crisis *of 2000 - 01* .

SEC. 2. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because the only costs that may be incurred by a local agency or school district will be incurred because this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, within the meaning of Section 17556 of the Government Code, or changes the definition of a crime within the meaning of Section 6 of Article XIII B of the California Constitution.